

SENATE BILL REPORT

SB 5377

As of February 2, 2017

Title: An act relating to vote count requirements for homeowners' associations.

Brief Description: Modifying certain vote count requirements for homeowners' associations.

Sponsors: Senator Sheldon.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/31/17.

Brief Summary of Bill

- Requires a majority vote of members present to approve a proposed homeowners' association budget.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Jeff Olsen (786-7428)

Background: A homeowners' association (HOA) is a legal entity with membership comprised of the owners of residential real property located within a subdivision or other specified area. The general purpose of an HOA is to manage and maintain a subdivision's common areas and structures, to review design, and to maintain architectural control. The HOA members pay dues or assessments to fund common expenses and costs of maintenance, repair, and improvement of common areas. A board of directors (board) elected by the HOA members acts on behalf of the HOA to manage its affairs.

Within 30 days after the board adopts any proposed regular or special HOA budget, the board must set a date for an owner's meeting to consider ratification of the budget and must mail a summary to the owners. Unless the owners of a majority of the votes reject the budget at the meeting, the budget is approved. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the owners continues until the owners approve a new budget proposed by the board.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: A majority vote of HOA members present, by person or proxy, is required to approve or reject a budget. The provision that the budget is ratified unless a majority of the votes reject the budget is eliminated.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: It is unfair to have 51 percent of the members of the association to vote no to reject a budget. HOA members need to feel a part of the community, and most members are not involved in the development of the budget. It is difficult to get 51 percent of the members of an HOA to vote, so a budget is never at risk of failing. The vote requirement should be reversed, so it takes a majority to approve a budget.

CON: The changes would create a hardship for homeowners associations, making it difficult to pass a budget. HOA members can vote the board out of office if they are unhappy with how the association is being managed.

Persons Testifying: PRO: Betty Widing, citizen.

CON: Kenneth Evans, Lake Limerick Country Club HOA/President; Kathryn Hedrick, Community Associations Institute.

Persons Signed In To Testify But Not Testifying: No one.